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IMPLEMENTATION OF THE MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007

Report by the Director-General

Reports on the implementation of General Conference resolution GC.10/Res.2 with regard to the medium-term programme framework, 2004-2007, and the Strategic Guidelines "Towards improved UNIDO programme delivery".

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Introduction

1. This document is issued in accordance with resolution GC.10/Res.2 on the medium-term programme framework (MTPF), 2004-2007. That resolution took note with appreciation of the information provided in document GC.10/14 concerning the medium-term programme framework, 2004-2007. It also took note with interest of the corporate strategy introduced by the Director-General to the Industrial Development Board at its twenty-seventh session. The resolution further expressed its support for UNIDO's efforts to achieve a greater synergy between its global forum and technical cooperation activities, and approved UNIDO's proposal to focus its services on a selected number of priority areas, thus enhancing the impact of UNIDO's services in the field. In addition, the resolution supported UNIDO's attempts to take into account document GC.10/CRP.4 and the Strategic Guidelines "Towards improved UNIDO programme delivery", adopted by the twenty-sixth session of the Board in decision IDB.26/Dec.7, when implementing the Organization's technical assistance and research programme. Finally, the resolution invited the Director-General to develop a strategic long-term vision statement, possibly in time for the next General Conference, and encouraged him to carry forward the process of decentralization to the field and further strengthen and rationalize the field operations of the Organization.

2. Resolution GC.10/Res.2 also took into account the broader development objectives established by the international community. It referred in particular to the Millennium Development Goals derived from the Millennium Declaration adopted by the United Nations Millennium Summit in September 2000, but also to a number of other initiatives, such as the Third United Nations Conference on the Least Developed Countries, the Special Session of the General Assembly on Social Development Review held in June 2000, the International Conference on Financing for Development in March 2002, and the World Summit on Sustainable Development in September 2002. The resolution also gave due consideration to the provisions of the multilateral environmental agreements that impinge on the industrial sector, such as the Montreal Protocol on Substances that Deplete the Ozone Layer, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC), the Cartagena Protocol on Biosafety and the Stockholm Convention on Persistent Organic Pollutants (POPs). Furthermore, the resolution noted the implications of global economic, industrial and technological trends for the support services delivered by UNIDO, and the importance of linking UNIDO's programme activities to national poverty reduction strategies wherever possible. In this connection, the resolution recognized the extensive experience and expertise of UNIDO in promoting industrial development and especially the successes achieved in the past six years.

3. Finally, the resolution requested the Director-General to report regularly to the Industrial Development Board and to the General Conference at its eleventh session on its implementation. This document represents a response to that request.

I. PROGRAMMATIC IMPLEMENTATION

Overview

4. The implementation of the MTPF, 2004-2007, has proceeded satisfactorily since the tenth session of the General Conference. This applies both to the overall level and to the level of the individual service modules and the research programme, which constitute the two principal programmatic building blocks of the MTPF. In presenting the implementation of the MTPF to date, this paper will refer both to the general measures that have been adopted so far, and to the specific measures related to the service modules and the associated areas of emphasis and priorities.

5. Great care has been taken to ensure that the implementation measures take due account of the guidance given by Member States in the Strategic Guidelines "Towards improved UNIDO programme delivery". As previously indicated in document IDB.28, paragraph 7, the guidelines had already been taken as a critical input to the earlier formulation of the MTPF, 2004-2007, and in particular its constituent elements comprising the refined service modules, areas of emphasis, priority services and research programme. Similar attention has been paid to the full inclusion of the guidelines in the ongoing implementation phase of the MTPF. Thus, it may be noted in general terms that the technical cooperation activities implemented, or proposed for implementation, are entirely demand-led and focused on the areas where the Organization has a comparative advantage. Wherever possible, they are focused on those areas within UNIDO's mandate that are clearly identified in national poverty reduction plans and within agreed country strategies, as called for by the Strategic Guidelines. More specific links between the Guidelines and individual technical cooperation activities will be given, as appropriate, in the description of these activities below.

General implementation

6. Recognizing the need to create full awareness among UNIDO staff of the stipulations of the MTPF and instill among them an understanding of its implications for their day-to-day work, the Secretariat has made considerable efforts to disseminate the constituent documents of the MTPF and generate a

wide-ranging dialogue about their effective implementation. As a first step in this direction, a publication entitled *Operationalizing UNIDO's Corporate Strategy: Services and priorities for the medium term 2004-2007* was issued in early 2004 and distributed to all Professional staff within UNIDO. This publication brings together the UNIDO corporate strategy and refined service modules, areas of emphasis, priority services and research programme contained in documents GC.10/14 and GC.10/CRP.4 submitted to the General Conference, together with a foreword by the Director-General and a chapter linking the corporate strategy with UNIDO's priorities for the medium term. In his foreword, the Director-General stresses that the substance of UNIDO's activities during 2004-2007 will be determined by the detailed presentation of the services, research programme and priorities contained in the document.

7. To ensure that these services and priorities are fully understood by the staff, the Director-General has held a series of meetings with all operational staff of UNIDO, covering both the Professional and General Service categories, to discuss in detail how all of UNIDO's technical cooperation and global forum activities, including its research efforts, should be clearly linked to the services and priorities approved under resolution GC.10/Res.2. These staff meetings are being followed up by an ongoing series of staff workshops at which a number of associated issues are being discussed in detail. The topics selected so far for these workshops include:

- Integrating UNIDO's socio-economic and environmental technical cooperation activities (inter alia, in order to mobilize increased resources from the environmental funds for the broad spectrum of UNIDO's technical cooperation activities, as called for in the Strategic Guidelines "Towards improved UNIDO programme delivery");

- Refining UNIDO's regional approach and strategy for Asia and the Pacific (in order to ensure that the specific conditions and needs of the countries and subregions of Asia and the Pacific are fully understood by UNIDO staff, and UNIDO services provided to these countries and subregions are fully in accordance with these conditions and needs);

- Rationalizing the work relating to industrial policy advisory services within UNIDO (in order to properly integrate the provision of these upstream services within the context of the Organization's global forum and technical cooperation functions);

- The role of research and statistics in linking UNIDO's global forum and technical cooperation activities (in order to establish an appropriate positioning of UNIDO's research and industrial statistics activities within the overall framework of the services provided by the Organization);

- The further development of UNIDO's investment promotion programme (in order to establish closer linkages between this programme and the other technical cooperation services delivered by UNIDO);

- The findings of the UNIDO *Industrial Development Report 2004*, the African Productive Capacity Initiative and the ongoing integrated programmes in the region (in order to assess how UNIDO can serve Africa more effectively).

8. An important measure taken in the latter half of 2003 to facilitate the more effective implementation of UNIDO's environmental sustainability activities was the restructuring of the organizational units dealing with these issues. This resulted in the consolidation of the three earlier branches dealing with cleaner production and environmental management, industrial energy efficiency and the Montreal Protocol into two branches covering multilateral environmental agreements and energy and cleaner production. This has enabled the Organization to perform more effectively its aim to provide services in the environmental field that are different from those of its competitors, or are performed in a different way. In particular, this has permitted UNIDO to streamline the activities undertaken in the context of the multilateral environmental agreements, such as the Montreal Protocol, the Stockholm Convention on POPs and the Kyoto Protocol to the UNFCCC, which are covered by service modules 6, 7 and 8.

9. The programmes and projects undertaken in the context of the multilateral environmental agreements help the recipient countries not only to meet their international obligations, but also to conform to the requirements of advanced markets and high technology standards, which in turn help them to access international markets and gain greater participation in international trade. Specifically, these activities help the recipient countries to:

- Collect and manage information and take inventory of relevant sources of pollution and amounts of releases;

- Formulate strategies, priorities, standards and legislation for compliance with international environmental obligations of the respective countries;

- Build national capacities and the skill sets necessary for the implementation of these multilateral environmental agreements.

At the enterprise level, assistance is provided in the form of:

- Technology transfer;
- Supply and installation of environmentally friendly equipment; and
- Training of staff.

10. In addition, a number of related administrative and organizational measures have been put in place to ensure that UNIDO's procedures for funds mobilization and the formulation, approval, review and evaluation of programmes and projects are adjusted in accordance with the needs of the MTPF. These measures, which are based on the deliberations and recommendations of the Board of Directors' retreat held on 9-10 February 2004, were consolidated in an interim management control framework for programmes/projects issued in March 2004. A particularly important feature of this new framework is the streamlining of the programme and project approval process through the establishment of four project approval committees covering projects in the fields of poverty reduction through productive activities, trade capacity-building, assistance to countries emerging from crisis situations, and energy and environment.

Service module 1: Industrial governance and statistics (including research programme for the medium term 2004-2007)

11. In the context of industrial governance, UNIDO has initiated the preparation of a methodology for strategic industrial diagnosis, which is expected to be finalized and disseminated by the end of 2004. It also initiated the preparation of the second international conference on the process of innovation and learning in dynamic city-regions, which will be held at Bangalore, India, in early 2005. A knowledge centre for the dissemination of UNIDO and non-UNIDO publications on industrial governance has also been established.

12. Two particularly important activities have been initiated in the field of enhancing national capabilities in industrial statistics. One involves data assessment and statistical analysis for the Sudanese manufacturing sector based on the annual survey results derived from the statistical component of the integrated programme for Sudan. The other involves an ongoing technical cooperation project to assist the Ghana Statistical Service in the development of its capacity to compile and analyse industrial statistics. This latter project constitutes the statistical component of the integrated programme for Ghana and includes the conduct of annual industrial surveys.

13. Several noteworthy statistical activities have been undertaken in the context of UNIDO's global forum function. These include:

- The 2004 round of the UNIDO-OECD joint annual compilation programme of global industrial statistics;
- The completion, publication and dissemination of the 2004 editions of sales dissemination products derived from UNIDO statistical databases (such as the CD-ROM versions of the industrial statistics and industrial demand-supply balance (INDSTAT and IDSB) databases, and the International Yearbook of Industrial Statistics), as well as an Internet-based set of publications and the statistical country briefs;
- UNIDO's regular contribution to the international statistical community in the development and promotion of international standards through the Organization's participation in meetings on inter-agency coordination in statistics, statistical metadata development, data quality assurance of multinational databases and promotion of international standard practice among national statistical organizations held under the auspices of the United Nations Statistical Commission;
- The development and maintenance of indicators through such activities as the 2004 modification and update of the Industrial Development Scoreboard and the construction of a database on productivity-related statistics to support the ongoing research on productivity;
- Technical contributions through statistical proposals and the preparation of an analytical report to an ongoing UNESCO programme for the development of cultural industries in Asia and the Pacific.

14. The implementation of the research programme has commenced and significant steps have been initiated with regard to all of the four separate components covered by this programme:

- Research component 1 is intended to analyse the contribution of industry to development and poverty reduction. It calls specifically for the establishment of a database on productivity and economic indicators, and for an assessment and analysis of productivity performance in the context of aggregate growth. These issues are being addressed by an ongoing research project on productivity performance in a broad cross section of 17 developing countries and in 17 country-case studies;

- Research component 2 is intended to assess the role of technology diffusion in productivity enhancement. In particular, it is intended to address the issues of how interactions between economic agents, markets and institutions can be strengthened to enhance the effectiveness of international trade and investment flows, and how divergences in the needs of industry and the environment can be reconciled through the development and diffusion of technology. A project on the evolution of national innovation systems in Latin America has been developed to address these issues;

- Research component 3 refers to policy choices in the new economic order. It provides for the formulation of an industrial development policy toolbox attuned to the challenges posed by the multilateral system, and an assessment of how global value chains can best contribute to enhancing domestic capabilities. These issues are being considered in the context of the African Productive Capacity Initiative, which is now a New Partnership for Africa's Development (NEPAD) component on sustainable industrial development, and a paper entitled "Inserting local industries into global value chains and production networks: What opportunities and challenges for upgrading?" with a special focus on Asia, is also being prepared. In addition, UNIDO also participated in two international meetings where these issues were discussed: The 2004 annual conference of the Boao Forum for Asia held in April 2004 at Boao, Hanian Province, China, and the forum on technology trends and needs in global value chains organized jointly by UNIDO and UNCTAD as part of the UNCTAD XI Conference held in 2004 at Sao Paulo, Brazil;

- Research component 4 relates specifically to private sector development, and will be discussed in the context of service module 4.

15. In addition, UNIDO is currently finalizing the three-year strategic research programme "Combating Marginalization and Poverty through Industrial Development" (COMPID) initiated in January 2002, which comprises the following separate projects: overcoming market failures and providing public goods; poverty alleviation through industrial development; challenges for small and medium enterprise (SME) development; operationalizing social capital; and technological development for sustainable industrialization. The five projects are thematically linked to the research programme for the medium term, 2004-2007, and COMPID is thus expected to contribute in full to the implementation of UNIDO's medium-term research programme. COMPID is focused on marginalized, low-income countries, and aims to identify the mechanisms by which they can overcome marginalization through sustainable industrial development. Based on desk and field work, the programme has thus far produced research results for all five projects. In the final phase of the programme, which is to be completed by December 2004, relevant UNIDO services will be examined in light of these results and UNIDO-specific recommendations will be issued. A conference will be held in December 2004 to discuss the findings and implications for UNIDO.

Service module 2: Investment and technology promotion

16. UNIDO's investment and technology promotion activities have continued to focus on promoting partnerships and organic ties (such as technology transfer, subcontracting, joint marketing and other forms of strategic agreements) between foreign and domestic enterprises, particularly in the agro-food industry, as a route to generating foreign direct investment. The sub-Saharan investment promotion agency (IPA) network is being strengthened and the network of subcontracting exchanges (SPXs) has expanded with new members. The UNIDO investment and technology promotion training package has also been upgraded, and an investors' survey has been promoted through various major forums. In addition, efforts continue to be made to strengthen the linkages between the investment promotion activities and the environment and energy services, in order to enhance the industrial performance and productivity gains at operational level. The Asia-Africa Investment and Technology Promotion Centre is now in its fourth year of operation since its creation in the context of South-South cooperation.

17. A plan of action on investment promotion activities has been established, based on two initiatives:

- Expanding the UNIDO–Africa IPA network concept and extending the concept of investor surveys to other regions, with the results of the surveys being used to design practical programmes for assisting developing countries in attracting foreign and mobilizing domestic investments;

- Exploring use and application of new financial instruments and tools to support productivity and technology upgrading of private sector enterprises in selected African countries.

18. UNIDO's technology-enabling services have continued to focus on the maintenance, establishment and promotion of networks of enabling institutions, technology centres, and technology parks, as well as the development and application of methodologies and tools for capacity-building. Special attention is being paid to promote information and communications technology applications among SMEs through e-productivity and

quality programmes. The capacity of national technology management and innovation systems is also being strengthened.

19. In addition, the reach of the investment promotion and technology centres network is being expanded with an increase in the number of affiliated technology centres through the negotiation of new entries from Brazil, China, India, Peru and Venezuela. Within the network, new programmes for South-South and East-South cooperation have been developed and approved, and a number of training activities are scheduled for implementation in Africa, Asia and Latin America.

20. The technology foresight programme for Eastern Europe, which comprises programmes being undertaken in cooperation with the Czech Republic, Hungary, Turkey and Ukraine has been consolidated, and the second technology foresight summit to be staged at Budapest in 2005 is under preparation. The technology foresight programme for Latin America continues to be dedicated to a regional foresight study for the fishery industry in the Pacific coast of South America.

21. Measures have also been taken to strengthen global forum-oriented activities. In June 2004 UNIDO organized the 2004 Technology Fair of the Future in conjunction with the UNCTAD XI Conference at Sao Paulo, Brazil. A series of working papers on trade, investment and technology has also been launched.

Service module 3: Industrial competitiveness and trade

22. Trade capacity-building has become a pivotal activity of UNIDO in its efforts to support developing countries to compete, conform and connect with the market. Recognizing that developing country products not only have to compete in quality and price but also have to comply with a myriad of technical standards, health and safety requirements and regulations, the technical cooperation services provided under this service module are focused on developing the required standards, metrology and conformity assessment infrastructure; assisting the testing laboratories to obtain international accreditation; supporting capacity development for ISO 9000 and ISO 14000 certification; and upgrading quality and productivity. These measures are intended to help address the concerns expressed at the Fourth World Trade Organization (WTO) Ministerial Meeting at Doha, Quatar, in November 2001.

23. Projects to support such capacity-building are currently being undertaken in a number of countries and regions, including Algeria, Argentina, Bangladesh, Egypt, Lebanon, Tunisia and Viet Nam, as well as Central America, the Mekong region, and the South Asian Association for Regional Cooperation and West African Economic and Monetary Union countries. In this connection, UNIDO has also initiated a joint technical cooperation programme with the WTO, which aims to achieve a noticeable increase in developing country exports by removing supply side constraints, developing and proving conformity to technical requirements, and integrating into the multilateral trading system. The countries participating in this pilot programme comprise Armenia, Bolivia, Cuba, Cambodia, Egypt, Ghana, Jordan, Kenya and Mauritania. Cooperation with the European Commission on quality support programmes has also been strengthened, in particular in Bangladesh, Nepal and Pakistan.

24. At the global forum level, UNIDO actively participates in the trade facilitation forums arranged by the United Nations Economic Commission for Europe (UNECE) and in the Inter-Agency Trade Facilitation Group meetings. It also continues to contribute to the database on trade-related technical assistance managed by WTO and the Organization for Economic Cooperation and Development, and to the Global Facilitation Partnership for Transportation and Trade Network. Within the framework of a memorandum of understanding on cooperation between UNIDO and the International Organization for Standardization (ISO), an e-learning tool on standardization has been developed and matters related to technical barriers to trade are being addressed. UNIDO is also strengthening its cooperation with such international technical agencies as the International Bureau for Weights and Measures, the International Accreditation Forum, the International Laboratory Accreditation Cooperation, ISO, the International Electrotechnical Commission, the International Telecommunication Union's International Telecommunication Standardization Sector, and the International Organization of Legal Metrology on a regular basis.

Service module 4: Private sector development

25. Towards achieving the goals set in the MTPF, 2004-2007, continued efforts were made to advance work on core activities in the field of private sector development. As a recognition of past achievements and sustained impact, substantial donor funds were received for follow-up phases of ongoing technical cooperation programmes (i.e. Uganda and Viet Nam). An example of confirmed donor support to achieve the MDGs is given in the approval of funds for entrepreneurship development in Timor-Leste. Further, in line with the Strategic Guidelines "Towards improved UNIDO programme delivery", efforts were intensified to promote business alliances as a focus area.

26. Considerable progress was also made on the implementation of the priority services for private sector development: After the formulation and approval of a project for the development of a policy tool box on private sector development, preparatory activities for the needs assessment and scoping exercise have started. While the joint UNIDO/Italian Federexport programme

on the promotion of SME export consortia will be launched later this year, a seminar has been scheduled to promote UNIDO's pilot experience in this field in North Africa.

27. Considerable priority continues to be given to global forum activities under this service module. Thus, several high-profile inter-agency events have been arranged since the inception of the MTPF, 2004-2007, including a joint UNIDO/UNDP/United Nations Global Compact workshop on partnerships for small enterprise development in January 2004, and a global training course on SME cluster development with the International Labour Organization in April of the same year. Both the latter and a regional workshop on the development of manufacturing SME clusters and networks, organized jointly with the Economic and Social Commission for Western Asia at Beirut, in March 2004, have generated significant interest, which will ensure a continuation of these initiatives.

28. As noted above, one of the components of the research programme also deals with private sector development. This research component calls for research activities to ensure the contribution of SMEs and entrepreneurship to fostering growth, learning, specialization, technological innovation and exports on the one hand, while building on successful experiences of corporate social responsibility to promote sustainable development on the other. In this context, and within the framework of a research and thematic cooperation programme with Switzerland and the Institute of Development Studies in the United Kingdom, a study on industrial clusters and poverty reduction has been concluded, which elaborates strategies towards developing a methodology to make cluster development more pro-poor and thus a critical tool to support the MDGs. Milestones related to the United Nations Global Compact include the publication of A Survey of SMEs in the Global Compact, and, jointly with UNDP, Partnerships for Small Enterprise Development.

29. An agreement will be signed with UNDP regarding joint technical cooperation programmes, following up the recommendations of the United Nations Commission on the Private Sector and Development.

Service module 5: Agro-industries

30. In the field of agro-industries, UNIDO continued to focus its activities in accordance with the priority services identified in the MTPF for 2004-2007. With regard to post-harvest systems and enhancing rural community livelihood through efficient agro-supply chains, eight pilot post-harvest centres were established in Uganda for tropical fruit and vegetable drying. The products are destined for export and so far three of the centres have formed a company called "Pride Uganda" to concentrate on exports. The first three pilot centres were completely financed but in the meantime others are being established on the basis of partial financing. The companies themselves are investing in the required equipment and meeting other costs. A programme financed by International Fund for Agriculture Development, the Food and Agriculture Organization and the World Bank and implemented by the Ministry of Agriculture has requested UNIDO to assist in the establishment of 40 further centres in the south of the country which will deal also with products in other subsectors, such as dairy. For the Democratic People's Republic of Korea, UNIDO has embarked upon a project aimed at installing a goat milk-processing unit, financed by the Republic of Korea. The overall goal and immediate objective is to strengthen the national capacity to secure the availability of safe food with a high nutritional value in rural as well as non-agricultural areas.

31. In the field of product innovation, the Footwear and Leather Industry Service Centre established by UNIDO in Egypt is being strengthened by adding mould computer-aided design (CAD) facilities. New CAD centres have been established to service the local small-scale footwear industry in Eritrea and the Russian Federation.

32. A similar CAD centre for the garment industry in Cuba became fully operational at the BOGA Institute under the Ministry of Light Industry, and is providing services to 17 garment factories with approximately 2,500 employees. Apart from reducing cutting waste by up to 7 per cent, the Institute also offers services to increase labour productivity.

33. In the context of providing technical assistance within the framework of UNIDO's post-crisis initiative, a project on community-building for food security and poverty alleviation financed by the United Nations Trust Fund for Human Security was initiated in the Nuba Mountains region of Sudan. In addition, funding has been obtained from the United Nations Development Group for a programme aimed at promoting cottage industries in rural and urban areas of Iraq.

Service module 6: Sustainable energy and climate change

34. In the energy area particular attention is given to the priority services "rural energy for productive use with emphasis on renewable energy" and "energy efficiency".

35. UNIDO's rural energy programmes aim at:

- Studying the feasibility and demonstrating the social and economic viability of the different energy-generating approaches;

- Encouraging sustainable local enterprises that can deliver reliable energy services based on renewable energy technologies;

- Identifying income-generating activities related to the production/generation and/or use of energy in rural areas.

36. The provision of rural energy services for productive use conforms to the MDGs and UNIDO's corporate strategy. Energy can reduce poverty and prevent hunger by facilitating income-generating applications, and the establishment of micro-enterprises, as well as providing power for pumping water, processing/grinding food and cooking. One example of UNIDO's rural energy projects is the project for renewable energy-based electricity generation for isolated mini-grids in Zambia, which was approved for financing by the Global Environment Facility in May 2004. This project has a total budget of $7.8 million and aims at improving the living conditions of rural people by providing modern energy services and promoting income-generating activities.

37. In the case of energy efficiency, UNIDO adopts a systems-based approach, which aims at optimizing the efficiency of the energy systems that factories use to deliver services provided by electricity, gas and other fuels to the point of use in the plant. These efforts do not need the introduction of newest (and possibly expensive) technologies but are based on the transfer of knowledge, skills and information, which, once acquired by the recipient, can be replicated through in-country training and support to service provider businesses. Efficient use of energy reduces pollution, reduces energy intensity and improves productivity and competitiveness. UNIDO's projects in this field are exemplified by the assistance being given to the Government of India in initiating a national programme for promoting energy efficiency in the hand tool small-scale industry sector. This project aims at not only improving energy efficiency but also at reducing pollution, including the emission of greenhouse gases.

38. In the priority area of climate change, UNIDO's activities continue to be oriented within the framework of the Kyoto Protocol. Specifically, the services provided are aimed at building the national capacities of participating countries and fostering innovative partnerships to identify and undertake Clean Development Mechanism (CDM) projects and bring certified emission reductions to the carbon market. Under this priority area UNIDO is also attempting to capitalize on the synergies of the Montreal and the Kyoto Protocols by identifying programmes beneficial to both global environmental objectives.

Service module 7: Montreal Protocol

39. UNIDO is currently implementing 900 Montreal Protocol projects in 70 developing countries worldwide. These projects have a total budget of approximately $350 million, and are intended to phase out substances with an ozone-depleting potential of some 31,000 tonnes. In addition, UNIDO provides institutional strengthening support to 21 countries. In line with priority service 1 of service module 7, UNIDO has formulated and received approval for a total of 39 national and sectoral phase-out plans, which effectively assist developing countries in their compliance efforts.

Service module 8: Environmental management

40. This service module addresses the issue of environmental sustainability in accordance with MDG No. 7. The priority services under this module include cleaner and sustainable production and water management. The cleaner and sustainable production strategy of UNIDO is implemented through a network of National Cleaner Production Centres (NCPCs), and pursues the following objectives:

- The diffusion of quality and productivity enhancing environmentally sound technologies (ESTs);

- Assisting developing countries to gain access to export markets.

In this connection, it may be noted that UNIDO is reviewing its cleaner production strategy with special emphasis on product design. In the same context, UNIDO is organizing a regional conference on resource sustainability—closing the materials loop, at Hyderabad, India, in September 2004.

41. Similarly, UNIDO's services in water management provide for the transfer of best available ESTs to prevent discharges of industrial effluents into international waters (rivers, lakes, wetlands and coastal areas) and thereby protect water resources for future generations. This service aims at, among others:

- Assisting the artisanal and small-scale gold mining sector to minimize the discharge of highly poisonous mercury used in gold extraction;

- Assisting Governments to operate collectively in the management and sustainable use of integrated transboundary river basin, wetland, coastal zone and large marine ecosystems.

UNIDO's international water programme includes the regional project for Africa on combating living resource

depletion and coastal area degradation in the Guinea Current large marine ecosystem through ecosystem-based regional actions, which covers 16 countries. This project has been approved and funded by the Global Environment Facility with a grant of $21 million.

42. In addition, UNIDO is providing assistance to 38 countries to formulate their national implementation plans under the Stockholm Convention on POPs. Several initiatives have been undertaken and approved for the formulation and implementation of innovative large-scale projects for the elimination of POPs stocks and releases. As a result of UNIDO's success in this field, the Organization has been granted direct access to GEF funds in the POPs priority area

II. OTHER ISSUES

Decentralization

43. Considerable progress has been made since the tenth session of the General Conference in December 2003 in UNIDO's efforts to further advance the decentralization process to the field and to further strengthen and rationalize its field presence. The proposed alliance with UNDP covers substantive initiatives through joint programme development and also a new rationalized model of field presence. A detailed presentation of the cooperation agreement, supporting the alliance, is given in document IDB.29/9.

Strategic vision statement

44. Preliminary consideration is being given to the formulation of the long-term vision statement to ensure its completion for the eleventh session of the General Conference as called for in resolution GC.10/Res.2.

III. ACTION REQUIRED OF THE BOARD

45. The Board may wish to take note of the information in the present document.